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TAGS: [ETRD](#) [PGOV](#) [ENRG](#) [PREL](#) [IR](#) [GM](#)
SUBJECT: EON-RUHRGAS DETAILS POSSIBLE PURCHASE OF GAS FROM
IRAN

Classified By: Economic Minister-Counselor Robert F. Cekuta for reasons
1.4(b) and (d).

11. (C) Summary: Eon Ruhrgas gave emboff a new detailed read out March 13 of the company's plans for the possible purchase of Iranian liquified natural gas (LNG). Eon's Vice President for Government, International and Economic Affairs Dr. Heinz Riemer, said Eon's decision to pursue a contract to buy LNG from Iran is part of a strategy to improve the firm's negotiating position with Russia and the result of a lack of other LNG options. Reimer said the tentative agreement would allow Eon to purchase 2.2 billion cubic meters of LNG in the 2010-2012 time-frame, when LNG terminals in Iran and Germany are expected to be completed. End Summary.

12. (C) Dr. Heinz Riemer, Vice President for Governmental, International and Economic Affairs for Eon-Ruhrgas, told Emboff the decision to purchase LNG from Iran is part of a larger diversification strategy, which looks to wean the company -- and Germany -- from dependence on Russian gas. By agreeing to buy Iranian LNG, Eon, he said, strengthens its negotiating position with Russia, which "won't take you seriously, unless you have a chip to play." Riemer stated the gas market is becoming extremely competitive, which he said limits the choices for where Eon can invest. He cautioned that U.S. companies have "locked up" the gas market in Qatar, leading Eon to consider other alternatives, i.e., Iran. If the Qatari gas market were to open, even minimally, Eon could reconsider purchasing gas from Iran, he told emboff. Riemer also mentioned, however, that Eon has signed a memorandum of understanding with Algeria to purchase gas.

13. (C) Detailing the preliminary agreement to buy approximately 2.2 billion cubic meters of LNG from Iran, Riemer said the contract would cover the purchase of gas starting in 2010 and run through 2012. The actual starting date is contingent on Iran's construction of its LNG terminal, which press reports indicate the French company Total is partially funding, as well as on Eon's building of its long-planned LNG terminal in Wilhelmshaven. According to Riemer, that facility will be completed by 2009 or 2010. Riemer emphasized Eon's contract with Iran is strictly for purchase of LNG, and does not include participation in or funding of the construction of Iran's LNG facility.

Comment

14. (C) Eon-Ruhrgas' decision to buy LNG from Iran may indicate plans to bring LNG terminals on-line in both Germany and Iran have accelerated. Previous estimates by Eon had anticipated LNG terminals in Germany and Iran roughly ten

years out. However, increasing Eon skepticism of Russia's ability to remain secure supplies -- at agreed upon terms -- and current and projected gas market conditions have apparently made LNG terminal construction not only economically more viable, but, according to Eon's out-year gas market projections, necessary. While hearing our message that now is not the time for business as usual with Iran, Eon's managers seem to have made a calculated decision that secure supply means diversification of sources which requires the company to obtain gas from wherever it can be acquired at competitive prices. End Comment.
KOENIG